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ABSTRACT

Selected financial and program records of nine administrative units of Michigan's Bilingual/Migrant Education Program from October 1, 1978 through September 30, 1983 were examined in an audit to assess fairness of fund allocation, compliance with appropriate laws and regulations, adequacy of administrative performance, and priority of school program services housekeeping functions. Management and operational practices of the Migrant Education Unit, Book Distribution Program, Bilingual Education Unit, Title VII Elementary and Secondary Education Act (ESEA) Administrative Funds, National Origin Desegregation Title IV, Transition Program for Refugee Children, School Age Parent Program, Gifted and Talented Program, and Alternative Juvenile Rehabilitation Program were evaluated. Problems identified included inadequate monitoring of school districts for any of the programs reviewed, lack of formal program operating standards, absence of effective and efficient identification of children for enrollment in the federal Migrant Student Record Transfer system, inadequate budget guidelines, and lack of a funding basis to provide equitable allocations of bilingual funds to school districts. Practices regarding attending conferences and seminars, travel, timekeeping and payroll, using grants and administrative funds, and administrative payroll cost allocations were also reviewed as they applied to the bilingual/migrant education program, compensatory education program, and the instructional specialists program. (NEC)

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AUDIT REPORT

BILINGUAL/MIGRANT EDUCATION PROGRAM, ET AL.
SCHOOL PROGRAM SERVICES
DEPARTMENT OF EDUCATION

October 1, 1978 through September 30, 1983

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Auditor General

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SCHOOL PROGRAM SERVICES
DEPARTMENT OF EDUCATION
October 1, 1978 through September 30, 1983

Prepared by

OFFICE of the AUDITOR GENERAL

Franklin C. Pinkelman, C. P. A.
Auditor General

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FRANKLIN C. PINKELMAN, C.P.A.
AUDITOR GENERAL
CHARLES S. JONES, C.P.A.
DEPUTY

May 31, 1984

State Board of Education
Ottawa Street Building
South Tower, 4th Floor
Lansing, Michigan

Dear Board Members:

Submitted herewith is our report on the audit of the Bilingual/Migrant Education Program, et al., School Program Services, Department of Education, for the period October 1, 1978 through September 30, 1983.

Our description of agency, audit objectives and scope of audit, and comments and recommendations follow this letter.

Our comments and recommendations are organized by major programs or major topics and further divided into categories of audit findings, as appropriate.

We appreciate the courtesy and cooperation extended to our auditors.

Sincerely,

A handwritten signature in cursive script, reading "F. C. Pinkelman".

Franklin C. Pinkelman, C.P.A.
Auditor General

Description of Agency

The Department of Education was established under the "Executive organization act of 1965." The department is headed by the elected eight-member State Board of Education established by the State Constitution. The principal executive officer is the Superintendent of Public Instruction, who is appointed by the board.

The bilingual/migrant education program, school program services, administers the State's bilingual education and migrant education programs. The bilingual education unit and migrant education unit primarily allocate funds to school districts and provide assistance to the districts. The bilingual education unit also administers the transition program for refugee children and the Title IV - national origin desegregation program. The bilingual education unit also provides/coordinates technical assistance to school district bilingual education programs funded under Title VII.

The school age parents program and the alternative juvenile rehabilitation program are administered by the compensatory education program, school program services. The State's gifted and talented program is administered by the instructional specialists program, school program services. Allocating funds to school districts is the primary function performed by the department for these three programs.

Federal grant and administrative funding for the preceding programs for fiscal year 1982-83 totaled \$10,411,000, of which \$4,174,000 was distributed by the federal government directly to the recipient agencies. State funding distributed to school districts for the preceding programs for fiscal year 1982-83 totaled \$5,733,000 with \$134,000 expended for administration.

As of March 25, 1983, the bilingual and migrant education units had 17 employees while several other employees within school program services expend some percentage of their time administering the school age parents, alternative juvenile rehabilitation, and gifted and talented programs.

Audit Objectives and Scope of Audit

Our audit primarily consisted of evaluating certain administrative functions of the following:

Migrant Education Unit

Bilingual Education Unit, including the transition program for refugee children, the Title IV - national origin desegregation program, and the Title VII - bilingual education programs

School Age Parents Program

Alternative Juvenile Rehabilitation Program

Gifted and Talented Program

Paperbook Book Program

Our audit had the following objectives:

1. To determine that the department equitably allocates program funds to school districts in accordance with applicable statutes, policies, regulations, and administrative rules.
2. To determine that the department adequately monitors the school district programs to ensure that the programs are conducted in accordance with appropriate laws and regulations.
3. To determine that the department adequately performs other administrative functions concerning the programs.
4. To determine the propriety of certain school program services housekeeping functions.

Our audit scope was to examine selected financial and program records for the various programs. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The following comments and recommendations result from our examination:

Summary

This report discusses a number of problems dealing with the department's administration of the programs audited. The department does not adequately monitor school districts for any of the programs reviewed. Monitoring, a very important administrative function, is necessary to determine that the programs are conducted in accordance with appropriate laws and regulations. Further, the department has not developed formal operating standards for several of the programs covered in the audit.

The migrant education unit has not established an effective and efficient process of identifying migrant children for enrollment in the federal migrant student record transfer system. This results in a reduced federal migrant education grant award of up to approximately \$1,090,000 annually. Also, the unit has not established adequate budget guidelines to provide for the uniform and equitable allocation of funds to school district migrant education programs.

The bilingual education unit does not determine that school districts provide bilingual instruction to the maximum number of limited English-speaking ability pupils in the State. The department has not developed a funding basis which results in an equitable allocation of bilingual education funds to school districts.

MIGRANT EDUCATION UNIT

The Department of Education annually receives federal funds under the Education Consolidation and Improvement Act of 1981 (ECIA) - Chapter I - Migrant Education Basic State Formula Grant Program. The migrant education unit (MEU), within the bilingual/migrant education program, administers the State's 100% federally funded migrant education program. MEU is primarily responsible for allocating the migrant education funds to those school districts electing to have a migrant education program and assisting these districts in implementing and operating their programs. The district's migrant education programs are intended to meet the needs of children who were unable to attend school and/or incur educational problems because of migration.

School districts may operate migrant education programs during the summer and/or the regular school year. Services provided by migrant education programs include academic instruction, instructional materials, transportation, counseling, medical services, and vocational instruction. MEU allocates the federal ECIA - Chapter I migrant grant funds to the local school districts (as subgrants) based on program applications and budget requests. Approximately 60% of the grant is allocated to summer programs which normally last six to eight weeks.

Total migrant education grant awards to the department for the last four fiscal years were:

<u>Fiscal Year</u>	<u>Grant Award</u>
1982-83	\$5,476,576
1981-82	\$6,443,030
1980-81	\$6,443,030
1979-80	\$5,171,730

These awards consist of the migrant education unit's administrative funds and the funds allocated to local school districts. Our review disclosed that MEU does not adequately perform several important administrative functions concerning the State's overall migrant education program.

Management and Operational Practices

Recruiting Migrant Students

1. The federal government annually determines each state's migrant education program grant award. The amount of the award is based primarily on the number of days that each migrant child resides in the state as determined from enrollment data contained on the migrant student record transfer system (MSRTS). MSRTS is a nationwide data processing system which records migrant student educational and residency data. Each state is responsible for identifying its migrant children and enrolling them in MSRTS. Identifying and enrolling (or recruiting) migrant children is an important function in establishing the funding level for the state migrant education program.

The migrant children recruiting function in Michigan has been delegated by MEU to those local school districts having migrant education programs. The districts receive funding for their recruiting expenses. Most of the recruiters perform these functions only within their local school districts' boundaries. However, eight districts also have Statewide recruiters who perform the functions in eight assigned regions of the State in local school district areas which do not have migrant education programs.

MEU estimates that there are approximately 3,000 migrant children in Michigan who have not been identified for enrollment on MSRTS. Enrolling these children on MSRTS would increase Michigan's annual migrant education grant award by approximately \$1,090,000. Our review of the migrant children recruiting function disclosed that the reasons a considerable number of migrant children have not been identified for enrollment on the MSRTS include:

- a. The Statewide recruiters work for the local school district migrant education program and recruit both for the local district and Statewide. The districts receive additional migrant funding for the summer program Statewide recruiting function. Because the local district's migrant education program funding depends primarily on the local migrant program's enrollment, recruiters may be subject to school district pressures to concentrate more recruiting efforts locally than is appropriate. There is no incentive under the current system to perform efficient and effective Statewide recruiting.
- b. MEU is generally not aware of the Statewide recruiting efforts nor the results of these efforts. Because of the importance of proper recruiting to the overall State migrant program, MEU should have more input and exercise more control over this function.
- c. MEU divided the State into eight regions for Statewide recruiting purposes. During the 1983 summer program, most of one of the large regions was not assigned to a recruiter. Also, during the 1983 summer program, recruiting was not done in another region because the school district assigned this function decided not to perform the Statewide recruiting. Districts are not funded for school year program Statewide recruiting and, therefore, very little is performed.

- d. Dividing the State into the eight regions does not provide for efficient and effective recruiting by the assigned school district recruiter. Some regions contain only three counties while other regions contain as many as 30 and 15 counties. The regions should be somewhat similar in size to provide for thorough recruiting coverage. Further, the Statewide recruiting function for the three largest regions was assigned to school districts on the regions' outer boundaries. This results in considerable increased travel costs and reduction of available recruiting hours and, therefore, is not in the best interest of the overall migrant program.

To provide for increased migrant education grant awards, we recommend that the migrant education unit establish an effective and efficient process of identifying migrant children for enrollment in the migrant student record transfer system.

Allocating Funds to School District Migrant Education Programs

2. The Code of Federal Regulations, section 116d.40, states that MEU is to determine the subgrant amounts for the school districts based on the number of students served, the nature and scope of the program, and any other criteria developed by MEU concerning the State's overall migrant program.

We reviewed MEU's determination of school district subgrants for the 1982-83 school year and the 1983 summer migrant education programs and determined that MEU does not have adequate budget guidelines to equitably allocate grant funds to the school districts. We noted:

- a. MEU has established budget guidelines for allocating funds to the summer programs but has not established such guidelines for the regular school year program. The MEU allocation of \$1,448,000 to the 1982-83 school year programs was based on the school districts' funding requests. Establishing budget guidelines for school year programs should provide for a more equitable allocation of migrant education funds.
- b. The budget guidelines for the 1983 summer programs indicate program cost categories which are allowable for funding. For some of the cost categories, the guidelines establish maximum funding per student, such as \$12 per student

for instructional materials. These guidelines were distributed to school districts with migrant education programs. Our review of ten migrant education program budgets disclosed that, for five cost categories having maximum funding amounts established, the districts requested (and were approved) the maximum in 42 of 48 cases. The school districts should not be informed of the established maximum funding amounts prior to the allocation process.

c. Our review of the MEU consultants' allocation of funds to selected school districts noted numerous deficiencies:

- (1) The budget guidelines establish staffing ratios for teachers and teacher aides but not for other program personnel, such as custodians, clerks, medical personnel, and administrators. Establishing staffing ratios for all personnel would provide for uniform, equitable funding of personnel cost categories.
- (2) The budget guidelines do not establish acceptable ranges indicating the portion of migrant education program funding that a district should use for instructional purposes. Our review of ten 1983 summer programs and five 1982-83 school year programs disclosed that the percentage of approved budgets for instruction varied from 27.1% to 54.9% for the summer programs and 38.3% to 88.7% for the school year programs. MEU should periodically determine that districts expend sufficient program funding for instructional purposes.
- (3) The budget guidelines do not establish funding maximums for certain costs, such as teacher salaries, fringe benefits, administrator salaries, bookkeeping/audit fees, and transportation costs. We found wide ranges in the approved funding for these various costs. Budget maximums should be established for these cost categories and applied where appropriate.
- (4) The budget guidelines do not provide for using a facility as an allowable expense. Several districts were funded for the use of a facility. Another district was funded for food service costs which should have been funded

from another federal grant (U.S.D.A.). One district was funded for unemployment compensation equal to 52% of the budgeted salaries. Another district was funded for utilities which exceeded the budget guidelines amount by 510%. Several more districts were funded for audit fees, even though the district's migrant program funding for indirect costs also included audit fees. MEU consultants did not question any of these items in their budget approval process.

- (5) The amounts budgeted for transportation costs, retirement costs and indirect costs frequently exceeded the amounts that should have been budgeted, based on data available to the MEU consultants but not used by them in the budget process. MEU should use this independent data to verify expenses for these cost categories prior to approving the districts' budgets.
- d. During the budgeting process, MEU consultants do not use the prior year detail of program expenditures to compare with current year requests. Unusual variances between prior year expenditures and current year requests should be appropriately reviewed to verify propriety.
- e. MEU has not established a written policy indicating how funds will be allocated when the amounts requested exceed the funds available. Such a policy should prioritize certain cost categories which would be funded. This would provide uniformity in the funding process and provide documentation for districts which question why a certain cost category was not funded.

We recommend that MEU establish and implement adequate budgeting guidelines for summer and regular school year migrant education programs to provide for the uniform and equitable allocation of funds to these programs.

We also recommend that MEU establish policies and procedures for allocating funds when amounts requested exceed funds available and compare prior year program expenditure detail with current year requests.

Monitoring Practices

3. The department's Compliance and Complaint Procedures Handbook states that monitoring an educational program consists of an on-site review and observing the program to determine if the program is conducted in accordance with appropriate laws and regulations. The Code of Federal Regulations, section 200.21, requires that the State annually submit a monitoring and enforcement plan as part of its grant application. The State's fiscal year 1981-82 plan indicates that all school district migrant programs will be monitored at least annually, while the 1982-83 plan indicates that all programs will be monitored no less than twice each year. The 1982-83 plan also states that school district migrant programs "...will be monitored for academic programming quality and conformance to application requirements." Our review disclosed that MEU's monitoring practices are inadequate and do not comply with expected monitoring requirements:
- a. MEU monitors only a small percentage of the migrant education programs funded. The number of programs monitored during fiscal years 1981-82 and 1982-83, as determined from data provided by MEU, is:

	<u>Number of Programs Funded</u>	<u>Number of Programs Monitored</u>
1983 Summer Program	34	6
1982-83 School Year Program	35	3
1982 Summer Program	31	3
1981-82 School Year Program	33	2

As the table shows, migrant education programs are not monitored in compliance with the State plans. We determined that part of the reason for the small number of programs monitored was that some school districts were not assigned to a MEU consultant for monitoring purposes.

- b. Lansing is the official work station for the MEU consultants. For the on-site monitoring visits that MEU performs, one consultant usually visits a school district for one day to review and evaluate the migrant program. The consultants generally travel to and return from the districts on the same day. The districts are located throughout the State and the one-day monitoring

visits normally include one to four hours travel time per day. An adequate review and evaluation of most migrant education programs cannot be accomplished by one consultant through a one-day visit to a district.

- c. The Compliance and Complaint Procedures Handbook also requires that written monitoring reports be transmitted to the school district within 30 days of the visit. The report may be either narrative and/or checklist in form. We were informed that the consultants provide the school districts with a copy of the monitoring checklist. The checklist has several inadequacies, as indicated in the following recommendation, and it does not provide the school district with an useful aid for improving its migrant program. A formal written report should be much more useful to the districts.
- d. Monitoring results are not formally reviewed and approved by a supervisor/administrator. This function should be performed prior to transmitting monitoring results (report) to the district to provide for monitoring uniformity and to ensure that the results are accurate and can be supported with adequate documentation.
- e. MEU has not established procedures for following up exceptions found during monitoring visits. Proper follow-up procedures should provide for timely corrective action.

To ensure that school district migrant education programs operate effectively and efficiently in accordance with established policies and regulations, we recommend that MEU:

- (a) Establish and implement procedures to provide for proper monitoring of these programs in compliance with the departmental Compliance and Complaint Procedures Handbook and the federal grant application.
- (b) Establish procedures to provide for formal supervisor/administrator review and approval of monitoring results, transmittal of a useful monitoring report to the school districts, and follow-up of monitoring exceptions.

At the exit review meeting, the department informed us that it has complied with these recommendations.

Monitoring Checklist

4. The department's Compliance and Complaint Procedures Handbook requires using a monitoring guide, such as a checklist, when conducting program monitoring. Our review of MEU's checklist and its use by the consultants disclosed that MEU is not conducting an adequate review and evaluation of school district migrant education programs to ensure compliance with appropriate laws and regulations.

The MEU checklist is not sufficient to meet the intent of the departmental handbook requirement. The checklist is a two-page document which indicates eleven general program items/areas which are to be answered by checking yes, no or needs improvement. There is an attached page for comments. The checklist does not indicate and procedures have not been established to provide guidance in regard to interviewing, records review, extent of testing, and result ranges for determining acceptable/not acceptable. Also, the consultants are not required to document the steps they performed to determine the degree of compliance for the various items/areas reviewed.

The MEU monitoring checklist does not require the consultants to review and evaluate several pertinent program items/areas, such as recruiting migrant students, student testing, verifying the number of pupils served, verifying the existence of pupils, curriculum, classroom management, and expenditure of funds. MEU should revise its monitoring checklist to provide for a thorough review and evaluation of pertinent program items/areas.

MEU consultants informed us that they primarily determine compliance for the eleven program items/areas on the checklist based on responses from program personnel during the interview process. Our review of 22 monitoring checklists prepared during the period March 1981 through July 1983 disclosed that 13 checklists contained all "yes" answers. Ten of the 22 checklists did not have any written comments, while the comments on the other 12 checklists were often minor. There were very few instances when the consultant indicated the monitoring procedures used. We also noted a number of visits when the checklist

was not completed, but an even less adequate document (On-Site Visit Report) was used. These findings indicate that consultants may not have conducted a thorough review for those eleven program items/areas on the checklist.

At the time of our audit, the migrant education consultants retained monitoring checklists in their office files. The checklists should be maintained in the bilingual/migrant education program's central filing system along with other program data.

We recommend that MEU completely revise its monitoring checklist and establish related written procedures to provide for a thorough, uniform review and evaluation of pertinent migrant education program items/areas.

Program Evaluation

5. The Code of Federal Regulations, section 116d.65, requires that the department annually evaluate the effectiveness of the Statewide migrant education program. The department's education evaluation unit, office of technical assistance and evaluation, annually prepares the evaluation report which, for fiscal year 1981-82, cost \$49,300. Our review of the 1981-82 evaluation report and our discussion with MEU consultants disclosed that the report was of little value to MEU in administering the overall migrant education program. The reasons for this conclusion are:
 - a. The department's 1981-82 application/State plan for migrant education funding states three major program objectives. The 1981-82 evaluation report generally did not analyze and state the progress made toward achieving any of the three objectives. The 1981-82 application/State plan also indicates ten important migrant student needs. The evaluation report did not indicate the progress made in satisfying these needs.
 - b. Important and useful information, such as comparative data by program, performance trends, and MEU monitoring and technical assistance results, are not evaluated or addressed in the report.

- c. The evaluation report is not prepared on a timely basis. The 1981-82 report was not finalized as of August 1983. This lengthy delay considerably reduces the value and usefulness of any evaluation report.

The annual Statewide evaluation report is prepared from information obtained on evaluation reports submitted by the school districts. The school district evaluations contain considerable information on the districts' migrant education programs for the completed school year. The MEU consultants do not review and use these reports. These reports should be very useful to the consultants in providing technical assistance and monitoring services to the districts' migrant programs in the subsequent year.

We recommend that the department review and revise the preparation and content of the annual Statewide migrant education program evaluation to provide for a useful administrative aid.

We also recommend that the migrant education unit consultants review and appropriately use the annual evaluation reports and related school district prepared evaluation reports in providing future services to the school district migrant education programs.

Consultant Staffing

6. The MEU consultants perform a number of program and administrative functions. The department estimates that the consultants spend approximately 22% of their time reviewing applications, providing technical assistance, monitoring and performing in-house administrative tasks (such as developing migrant application, meetings, and providing telephone technical assistance).

MEU informed us that the consultants spend the remaining 78% of their time on program development for the migrant education programs. However, our discussion with consultants indicated that they usually spend considerably less than 78% of their time on program development.

Because MEU cannot support or document consultant time spent on various program activities and because of the lack of time spent on the monitoring

function, a problem may exist concerning the efficient use of consultant time in the performance of their functions. A review of MEU consultant staffing, as related to the expected performance of consultant functions, should be made.

To provide for the most efficient and economical performance of MEU consultant functions, we recommend that the department review MEU consultant staffing needs and make appropriate staffing changes or assignments as deemed necessary. Developing and using an activity reporting system would provide for reviewing consultant efficiency.

Standards for Migrant Programs

7. The migrant education unit has not developed formal written standards for operating migrant education programs. Standards for areas, such as curriculum, classroom management, staffing, scheduling, teacher qualifications, in-service training, parent advisory committee guidelines, program evaluation practices, and training and using aides, have not been developed or distributed to school districts.

Developing and using standards should assist in providing uniformity in programs and instruction, increase the quality of programs, and provide a uniform basis for monitoring program results. The standards should concur with applicable federal regulations and be developed for both summer and regular school year programs.

We recommend that the migrant education unit develop and distribute written standards to school districts for operating migrant education programs.

BOOK DISTRIBUTION PROGRAM

From December 1982 through April 1983, MEU solicited and received as a donation from a publishing company approximately 1,900,000 children's books, posters and other educational materials. The donation had a retail value of approximately \$5,400,000. MEU arranged a warehouse operation with two school districts, one in mid-Michigan and the other in the Upper Peninsula, to store, classify and distribute the donated items. The U.S. Department of Education approved the use of \$50,000 ECIA - Chapter I - migrant administrative funds for the warehouse operations. The department expects to receive similar educational related donations in the future.

We reviewed the overall administration of the book distribution program with particular attention given to the controls and allocation of the approximately 1,900,000 books, posters and other educational materials.

Management and Operational Practices

Administrative Responsibility and Funding

8. The donation of the books, posters and other educational materials, even though solicited by MEU, was made to the Department of Education. The administrative responsibilities for the book distribution program were assigned to MEU. The donor did not stipulate to which school districts the items should be distributed. The department distributed the items to those school districts having a migrant education program and selected other districts which did not have a migrant program. Therefore, only 78 of the State's 574 local school districts received the donated items. We question distributing the donated items to only a limited number of school districts. Some districts received a large number of books, etc., per student, while 496 districts received nothing. Distributing to only a limited number of districts does not appear to maximize the benefits of the donation. Because the books were donated to the Department of Education, we also question the assignment of the book distribution program administrative responsibilities to MEU.

The U.S. Department of Education approved the use of \$50,000 of ECIA - Chapter I - migrant funds, as previously mentioned, to administer the book distribution program. The approval letter states that the books, etc., distributed with these funds "...are intended solely for the benefit of students eligible under the Migrant Education Program." Approximately 85% of the books, etc., were provided to nonmigrant students at the 78 districts receiving distributions, to students at nonpublic schools, and to nonprofit organizations. The department did not comply with the distribution requirement of the funding approval letter.

To provide proper administration of the book distribution program and to provide benefits of the program to the maximum number of children, we recommend that the department transfer the administrative responsibilities from MEU to another unit of the department to provide for a more appropriate distribution of donated

items. We also recommend that the department comply with distribution requirements stipulated for the use of funds to administer the book distribution program.

Allocation and Warehouse Operations

9. Our review of the warehouse operations, including the allocation of the books, etc., to school districts, disclosed:
 - a. The warehouse in the Lower Peninsula allocated the books, etc., based on projected migrant program enrollments. Our review of this allocation process disclosed:
 - (1) The allocation process did not result in an equitable distribution of books, etc. Allocations to the selected districts were based on the number of projected migrant students in their programs. After the districts received the books, etc., they could be given to any or all students in the district. This resulted in some districts receiving as high as 94, 37 and 36 items per student in the district, while other districts received only 0.2, 0.8 and 0.9 items per student in the district.
 - (2) The projected migrant program enrollments used to allocate the items to a number of districts did not agree with the data on file in MEU. The differences for several districts were substantial; one district should have received an additional 76,000 books, etc. MEU could not determine the reason for the differences.
 - b. The warehouse in the Upper Peninsula could not document its allocation of books, etc. The allocations ranged from 7 to 18 items per student in the district for five of the districts reviewed having a migrant program and from 5 to 15 items per student in the district for the fifteen districts reviewed that did not have a program.
 - c. The records provided to us by the warehouses indicated that, after all items had been allocated and distributed, approximately 22,900 more books, etc., were received at the warehouses than distributed. Neither the warehouses nor the department could account for the difference.

- d. Prior to distributing the books, etc., to school districts, MEU required the districts to submit a plan for dispensing the items to students. One district did not receive books, etc., because MEU determined that its plan for dispensing them was inadequate. However, several other school districts were distributed books, etc., even though they did not submit a plan for dispensing them. MEU should appropriately enforce its dispensing plan requirement.
- e. The department did not sign written contracts with the two school districts that provided the warehouse operations for the book distribution program. Because the warehouse operations are, in effect, a contractual service, appropriate contractual service policies and procedures should be followed, including the completion of a written contract. Such a contract should detail the responsibilities and liabilities of each party in order to protect the best interest of the State.

To provide for the proper allocation of donated books, etc., we recommend that the department:

- (a) Establish and implement equitable allocation procedures for those school districts which are to receive the donated items.
- (b) Maintain documentation to support the distribution and allocation of the items.
- (c) Obtain and review dispensing plans for all school districts receiving donated items.

To comply with appropriate contractual service policies and procedures and to protect the best interest of the State, we also recommend that the department enter into written contracts with school districts providing the warehousing operations.

Accounting, Internal Control and Financial Reporting

Policy and Financial Recording for Donations

- 10. The Department of Education does not have a written policy on the acceptance, receipt and use of noncash donations. Consequently, the State Board of Education

did not approve the acceptance of the books, etc., until after the items had been distributed.

The receipt and distribution of the approximately \$5,400,000 of books, etc., were not recorded on the department's accounting records. The department, in conjunction with the accounting division, Department of Management and Budget, should determine the appropriate recording for the receipt and distribution of noncash donations.

We recommend that the department establish written procedures on the acceptance, receipt and use of noncash donations. The procedure should require prior approval by the State Board of Education. We also recommend that the department determine the appropriate financial recording for donations of noncash items.

BILINGUAL EDUCATION UNIT

The bilingual education unit (BEU), within the bilingual/migrant education program, was established in 1976 to assist and guide school districts in implementing and operating bilingual education programs. BEU is primarily responsible for allocating bilingual education Section 41 State School Aid Act (Act 276, P.A. 1982) funds to school districts and for providing technical assistance/monitoring services to these school districts. Bilingual education State aid totaling \$3,150,000 was allocated and distributed in each of the last three fiscal years to 60-70 school districts.

BEU was first audited by the Office of the Auditor General when the unit was within the Office of the Superintendent of Public Instruction. The audit report, dated June 7, 1979, included nine recommendations concerning BEU. The department's response to the report indicated that it concurred with eight of the nine recommendations. BEU has not complied with most of these recommendations and, therefore, most of them are repeated in this audit.

Management and Operational Practices

Reviewing LOCAL SCHOOL DISTRICTS Not Having a Bilingual Education Program

11. BEU has not adequately determined that all applicable local school districts have established an operating bilingual education program in compliance with the law. Section 380.1153(1) of the Compiled Laws states:

"The board of a school district having an enrollment of 20 or more children of limited English-speaking ability in a language classification in grades K to 12 shall establish and operate a bilingual instruction program for those children."

Local school districts are required to annually report to BEU the number of limited English-speaking ability pupils in their districts. At the time of our prior audit, BEU used the prior school year Racial/Ethnic Census Count reported by the school district with the fourth Friday student count to verify the reasonableness of the current year reported limited English-speaking ability pupils. Because the Racial/Ethnic Census Count is actually a racial count and does not report languages spoken, we questioned its usefulness as a verification source. BEU presently does not attempt to verify the accuracy of the reported students. Without a useful verification source, BEU cannot reasonably verify the propriety of a school district's reported limited English-speaking ability pupils.

Of the State's 574 local school districts, 66 operated bilingual instruction programs during the 1982-83 school year. We determined that there were 27 local school districts in 1982-83 without a bilingual instruction program in which the 1982-83 Racial/Ethnic Census Count (for Native American, Asian and Latino pupils) exceeded the districts' reported limited English-speaking ability pupils by at least 100 pupils. Also, there were 16 additional school districts which did not report any limited English-speaking ability pupils, but the Racial/Ethnic Census Count was at least 100 pupils. The differences for 4 districts were 432 to 800 pupils. Variances of this magnitude indicate that some local school districts may not accurately report the number of limited English-speaking ability pupils. Therefore, some school districts may not be in compliance with the law.

A further indication that local school districts may not accurately report the number of their limited English-speaking ability pupils is indicated by the

fluctuation in the total of such pupils reported annually by the districts. Districts reported 31,991 and 21,162 limited English-speaking ability pupils for the 1980-81 and 1981-82 school years, respectively. Fluctuations of this size should have been reviewed by BEU.

This condition was noted in our prior audit report; the department stated that it concurred with the recommendations.

WE AGAIN RECOMMEND THAT THE BILINGUAL EDUCATION UNIT DEVELOP A RELIABLE METHOD FOR VERIFYING THE ACCURACY OF THE NUMBER OF SCHOOL DISTRICT REPORTED LIMITED ENGLISH-SPEAKING ABILITY PUPILS.

WE ALSO AGAIN RECOMMEND THAT THE BILINGUAL EDUCATION UNIT DETERMINE THAT LOCAL SCHOOL DISTRICTS ARE IN COMPLIANCE WITH SECTION 380.1153(1) OF THE COMPILED LAWS AND ENSURE THAT DISTRICTS NOT IN COMPLIANCE WITH THE LAW ESTABLISH AND OPERATE A BILINGUAL INSTRUCTION PROGRAM.

Reviewing Justification for INTERMEDIATE SCHOOL DISTRICTS Not Having a Bilingual Education Program

12. Section 380.1153(5) of the Compiled Laws requires that intermediate school districts review and determine the justification for establishing and operating an intermediate bilingual education program for limited English-speaking ability pupils in their constituent school districts which do not operate a bilingual program. BEU has not determined whether intermediate school districts have met this requirement. The statute is not clear as to whether an intermediate school district must establish and operate an intermediate bilingual education program when there is proper justification for such a program. However, it appears that this would be the intent of the statute.

Only one of the State's 58 intermediate school districts operated a bilingual education program in 1980-81. We determined from BEU records that there was an average of at least 200 reported limited English-speaking ability pupils in every intermediate school district who were not served by a bilingual education program. This points out that some intermediate school districts may not have properly

reviewed the justification for establishing and operating an intermediate bilingual education program. This may also indicate that, even though proper justification exists at some intermediate school districts, the districts have decided against providing a bilingual education program.

TO PROVIDE THAT THE MAXIMUM NUMBER OF LIMITED ENGLISH-SPEAKING ABILITY PUPILS IN THE STATE RECEIVE BILINGUAL INSTRUCTION, WE AGAIN RECOMMEND THAT THE DEPARTMENT INITIATE AMENDATORY LEGISLATION TO CLARIFY THE INTENT OF SECTION 380.1153(5) OF THE COMPILED LAWS.

IF THE AMENDATORY LEGISLATION REQUIRES THAT INTERMEDIATE SCHOOL DISTRICTS PROVIDE A BILINGUAL EDUCATION PROGRAM WHEN THERE IS PROPER JUSTIFICATION FOR SUCH A PROGRAM, WE ALSO AGAIN RECOMMEND THAT THE BILINGUAL EDUCATION UNIT REVIEW THE JUSTIFICATION OF INTERMEDIATE SCHOOL DISTRICTS WHICH DO NOT HAVE A BILINGUAL EDUCATION PROGRAM. Where proper justification exists for an intermediate bilingual education program, we further recommend that the bilingual education unit ensure that the intermediate school districts provide the programs.

Funding Basis for School District Programs

13. Section 41 of the State School Aid Act provides funds to school districts offering bilingual education programs for pupils of limited English-speaking ability. The act states that the funds must be allocated "...on a per pupil basis and shall be based on the number of pupils of limited English-speaking ability in membership on the pupil membership count day." BEU actually allocates funding to each district based on the number of such pupils that will receive bilingual education instruction (served) as reported by the district. This basis for funding used by BEU was approved by the State Board of Education and school districts were informed of the funding basis.

The funding basis required by the statute, the basis used by BEU, and other BEU practices concerning bilingual education funds do not provide for or result in an equitable allocation of these funds to school districts. This is indicated as follows:

- a. The funding bases do not take into consideration the number of days or amount of time that the limited English-speaking ability pupils receive bilingual instruction. For example, school districts that provide bilingual instruction three days a week, one hour per day receive the same per pupil funding as a district which provides bilingual instruction five days a week, five hours per day.

Another example of this type of inequity is in school districts receiving bilingual per pupil funding for migrant students who leave the district after six to eight weeks of the school year. We were informed that there are several districts where most of the bilingual education program consists of migrant students who leave the district in October/November; however, the district receives the full school year per pupil funding.

- b. Through our review of pertinent bilingual program records, we determined that school districts frequently serve fewer pupils than they initially report to BEU. Our review of the 35 largest bilingual education programs for the 1981-82 school year disclosed that 19 programs did not serve the number of pupils for which they were funded. The department does not routinely determine the difference between the number of pupils funded and the number served, the reason(s) for the difference, or document these determinations. Therefore, these districts may have been overfunded for their bilingual education programs. Examples of potential overfunding are:

School District Bilingual Program	Number of Pupils Funded	Amount Funded Based on Col. 2	Number of Pupils Actually Served	Proper Funding Based on Col. 4	Amount of Potential Overfunding (Col. 3 less Col. 5)
A	336	\$ 56,599	228	\$ 38,407	\$18,192
B	312	\$ 52,556	220	\$ 37,059	\$15,497
C	105	\$ 17,687	66	\$ 11,118	\$ 6,569
D	238	\$ 40,091	95	\$ 16,003	\$24,088
E	1,191	\$200,623	995	\$167,608	\$33,015
F	1,588	\$267,497	1,370	\$230,776	\$36,721

BEU was also aware of one school district whose bilingual education program served 257 less pupils during the 1980-81 school year than it was funded for; this is a potential overfunding of approximately \$38,900.

There were also several school districts that served more pupils than for which they were funded. These differences were usually relatively small in amount.

The department has not established funding adjustment guidelines and procedures. Therefore, the department has not recovered the amount which may have been overfunded from those school districts which served fewer than the number of pupils for which they were funded. Also, the department has not provided additional funding to those districts serving more pupils than for which they were funded. This condition was indicated in our prior audit of BEU.

- c. Certain school districts which receive bilingual education funding either do not operate a bilingual program or operate a program providing only minimal services. The department has not established funding adjustment guidelines and procedures for dealing with these school districts. We found cases during the 1980-81 school year in which BEU did not recover funds from districts that either did not operate a bilingual program or provided only minimal services.

BEU informed us that several states, including California which has a very large bilingual population, fund school districts based on pupils' average daily attendance in the bilingual programs. This funding basis or another acceptable basis should provide for a more equitable allocation of funds than presently used in Michigan.

We recommend that the department develop a funding basis which results in a more equitable allocation of State school aid bilingual funds and initiate amendatory legislation to provide for its implementation. This may necessitate establishing guidelines and procedures to adjust school district bilingual funding for the actual number of pupils served and for the failure to operate a bilingual program in compliance with established requirements.

Allocating and Distributing State Funds

14. The amount of bilingual education State School Aid Act funds allocated to each school district by BEU is based on program statistics reported by the districts. The reports submitted by the districts are not due until November of the current school year, and several districts submitted their reports after the due date. School districts were not informed of their estimated bilingual State aid in 1981-82 and 1982-83 until mid-February or later.

Until new estimated amounts are determined, districts are funded based on their prior year payments or not funded if it is a first year program. Because BEU did not allocate the 1981-82 and 1982-83 school year bilingual State aid until February or later in each year, the current year actual allocations were not included in the bimonthly State aid payments until April of each year. This delay could prevent school districts from staffing their bilingual programs and/or severely affect existing programs. We noted several letters from school districts, dated in January and February of each school year, asking if State-appropriated bilingual funds were available for the school year. We also noted that, during the 1980-81 school year, there were at least three school districts that did not operate a first year bilingual education program because of the untimely allocation and subsequent distribution of the bilingual funds. These districts did not have the bilingual funds available for their use for much of the school year.

BEU should require that school districts submit their program statistics reports in October, expedite the allocation process, and inform school districts of their estimated bilingual State aid at the earliest date possible to allow districts adequate time for planning and implementing their programs.

This condition was noted in our prior audit report; the department stated that it concurred with the recommendation.

TO ALLOW FOR ADEQUATE PLANNING AND IMPLEMENTATION OF BILINGUAL EDUCATION PROGRAMS, WE AGAIN RECOMMEND THAT THE BILINGUAL EDUCATION UNIT INFORM SCHOOL DISTRICTS OF THEIR BILINGUAL STATE AID AND DISTRIBUTE THE FUNDS TO THE DISTRICTS ON A TIMELY BASIS. THIS SHOULD INCLUDE REQUIRING THAT SCHOOL DISTRICTS REPORT THEIR PROGRAM STATISTICS TO BEU IN OCTOBER.

Monitoring Practices

15. The department's Compliance and Complaint Procedures Handbook states that monitoring an educational program consists of an on-site review and observation of the program to determine if the program is conducted in accordance with appropriate laws and regulations. Our review of BEU's monitoring practices disclosed that school district bilingual education programs are not adequately monitored as indicated by the following:
 - a. Lansing is the official work station for the BEU consultants (except for one whose work station became Detroit during our audit). The monitoring visits usually consist of one consultant visiting a school district for one day to review and evaluate the bilingual program. Because the school districts are located throughout the State and BEU's consultants rarely stay overnight when traveling to the districts, the one-day monitoring visits normally include one to four hours travel time per day. We also noted a number of cases when the consultants monitored two programs in the same day. An adequate review and evaluation of most bilingual education programs cannot be accomplished through a one-day visit to a district.
 - b. The bilingual/migrant education program's annual management plans state that BEU monitors all school district bilingual education programs each year. BEU consultants are responsible for monitoring the districts assigned to them. Through our review of documents provided to us by the BEU consultants, we determined that only 37 of 67 (55.2%) districts were monitored in the 1981-82 school year. Twenty-two districts were not monitored in either the 1980-81 or 1981-82 school years. All school district bilingual education programs should be monitored in accordance with the annual management plan.
 - c. The department's Compliance and Complaint Procedures Handbook requires that a monitoring guide, such as a checklist, must be used for all on-site monitoring of programs. BEU developed a checklist that is to be followed and completed for all monitoring visits. The checklist is the only document that indicates what may have been reviewed during the monitoring visit. For the 37 school districts monitored in the 1981-82 school year, checklists were not prepared and/or retained for 20 districts. Monitoring checklists should be prepared and retained for all monitoring visits.

- d. The Compliance and Complaint Procedures Handbook also requires that written monitoring reports be transmitted to the school district within 30 days of the visit. For the 37 districts monitored in the 1981-82 school year, 12 monitoring reports were not sent within the 30-day limit. BEU should promptly transmit the written reports to all districts to provide for timely action by the district to improve its program.
- e. The monitoring checklists, in conjunction with the written reports, are not formally reviewed and approved by a BEU supervisor/administrator. This function should be performed prior to transmitting the written report to provide for monitoring uniformity and to ensure that the monitoring results are accurate and can be supported with adequate documentation.
- f. BEU has not established procedures for following up exceptions found during monitoring visits. Other than asking the school district to respond to the exceptions within 30 to 60 days, BEU generally does little follow-up until the next monitoring visit. Delays in follow-up could result in delayed corrective action.

Part of this recommendation was noted in our prior audit report; the department stated that it concurred with the recommendation.

TO PROVIDE FOR PROPER ON-SITE MONITORING OF SCHOOL DISTRICT BILINGUAL EDUCATION PROGRAMS, WE AGAIN RECOMMEND THAT BEU:

- a) ESTABLISH GUIDELINES FOR REVIEWING AND EVALUATING BILINGUAL EDUCATION PROGRAMS.
- b) PROMPTLY TRANSMIT MONITORING REPORTS TO SCHOOL DISTRICTS.
- c) DEVELOP AND IMPLEMENT MONITORING VISIT EXCEPTION FOLLOW-UP PROCEDURES.

We also recommend that BEU:

- (a) Monitor bilingual education programs in accordance with its management plan.
- (b) Prepare and maintain monitoring checklists for all monitoring visits as required by the department's Compliance and Complaint Procedures Handbook.
- (c) Assign an appropriate individual the function of formally reviewing and approving monitoring checklists in conjunction with the written monitoring reports.

At the exit review meeting, the department informed us that it has complied with item (a) of this recommendation.

Monitoring Checklist

16. The department's Compliance and Complaint Procedures Handbook requires using a monitoring guide, such as a checklist, when conducting program monitoring. From our review of BEU's checklist and its use by the consultants, it appears that BEU is not conducting an adequate review and evaluation of school district bilingual education programs to ensure compliance with appropriate laws and regulations.

BEU's monitoring checklist does not require a review and evaluation of several pertinent program items/areas, such as: pupil eligibility/achievement testing, verifying the number of pupils served, verifying the existence of pupils, curriculum, classroom management, and expenditure of funds. BEU should revise its monitoring checklist to provide for a thorough review and evaluation of all pertinent program items/areas.

The monitoring checklist is designed so that the degree of compliance for the questions or statements can be answered by checking yes, no or making progress. There is also minimal space for comments. BEU has not established procedures indicating how the consultants are to determine compliance for each of the various questions or statements. Such procedures should, as a minimum, indicate what records must be reviewed and tested, amount of testing to be done, and result

ranges for determining acceptable/not acceptable. Also, the consultants should be required to document the steps they performed to determine the degree of compliance for the various items.

BEU consultants informed us that they primarily determine compliance for the various questions or statements on the checklist by asking program personnel. Our review of completed checklists for the 1980-81 and 1981-82 school years disclosed that a very high percentage of the questions or statements were answered yes, and a very low percentage contained a written comment. There were very few instances when the consultant recorded the monitoring procedures used. These findings indicate that the consultants may not be conducting a thorough review for those program items/areas on the checklist.

We recommend that BEU revise its monitoring checklist and establish related written procedures to provide for a thorough review and evaluation of pertinent bilingual education program items/areas.

Staffing for Technical Assistance and Monitoring Functions

17. BEU has five consultants whose primary function is to provide technical assistance and monitoring services to school district bilingual education programs. The consultants informed us that they individually spend between 60% to 80% of their work time on the technical assistance and monitoring activities. The majority of the technical assistance and monitoring activities occur at the school districts.

Through a review of pertinent records, including travel vouchers and itineraries, for the period September 1, 1981 through March 31, 1983, we determined the approximate amount of time the consultants actually spent on the technical assistance and monitoring activities. Including an estimated amount of related office time, the records indicate that the consultants actually spent approximately 21% to 45% of their work time on technical assistance and monitoring activities. Differences of this magnitude between the consultants' estimates and actual time spent indicate that there may be a definite problem concerning the efficient use of consultants' time in the performance of these activities. A review of the present BEU consultant staffing, as related to the technical assistance and monitoring activities, may be beneficial.

To provide for the most efficient and economical performance of the technical assistance and monitoring functions, we recommend that the department review the BEU consultant staffing needs and make appropriate staffing changes or assignments as deemed necessary. Developing and using an activity reporting system would provide for reviewing consultant efficiency.

Testing Bilingual Pupils

18. The department requires that participating school districts annually test their bilingual education program pupils (grades 3-12) in reading and mathematics to determine pupil eligibility for the program and to measure pupil progress in the program. The department does not require annual testing of K-2 bilingual pupils; however, some districts do test these pupils. Most districts test in the spring and use the test results for both purposes. The districts also report the test results to the department, and the education evaluation unit uses the results to evaluate the State's overall bilingual education program. Testing the bilingual pupils and using the test results are very important components of the bilingual education process.

Statistics compiled by the education evaluation unit for school years 1979-80 through 1981-82 indicate that participating school districts annually test well under one half of the State's bilingual pupils. In each of the three school years, there was a wide range among school districts in the percentage of pupils tested. Numerous districts tested very low percentages of their bilingual pupils, while several districts did not test any of these pupils.

School districts with a very low percentage of pupils tested may have pupils receiving bilingual instruction that they are not eligible for, and the districts may receive State school aid bilingual funds for these ineligible pupils. In addition, the progress of many pupils is not determined, which is necessary to measure the program's effectiveness.

The education evaluation unit's draft report for the 1981-82 school year titled "An Evaluation of Bilingual Education Instructional Programs Administered in Michigan," dated August 1983, states that local school districts must "...be encouraged to more comprehensively test bilingual students." We agree with this statement.

Because of the importance of the bilingual education testing function, we recommend that the department take appropriate action to ensure adequate testing of limited English-speaking ability pupils in all participating school districts.

Statewide Evaluation Process

19. The department annually prepares "An Evaluation of Bilingual Education Instructional Programs Administered in Michigan." The evaluation includes an analysis of various aspects of bilingual education programs, including testing for pupil achievement, staffing and program practices. The education evaluation unit obtains its information from program evaluation reports submitted by the school districts at the end of each school year. Our review of the Statewide evaluation process disclosed:

- a. The Statewide evaluation reports are not prepared on a timely basis. The 1979-80 school year evaluation was not finalized until October 1981. The 1980-81 and 1981-82 school year evaluations had not been finalized as of early September 1983. These lengthy delays reduce the value and usefulness of the evaluation reports.
- b. The education evaluation unit does not receive program evaluation reports from all school districts. Evaluation reports were not received from twelve and thirteen school districts for the 1979-80 and 1980-81 school years, respectively. Also, we were informed that the evaluation reports are frequently incomplete and/or inaccurate. The department should take the necessary steps to obtain complete and accurate evaluation reports from all pertinent school districts.
- c. BEU consultants do not use the Statewide evaluation reports. Even though the reports are not finalized on a timely basis, they contain considerable program information that should be useful to the consultants when providing technical assistance and monitoring services.

The program evaluation reports submitted by the school districts contain detailed information on the districts' bilingual programs for the completed school year. BEU consultants do not review and use these reports. The reports should be very useful to the consultants in providing technical assistance and monitoring services.

To maximize the benefits of the Statewide bilingual education program evaluation process, we recommend that the:

- (a) Department prepare the Statewide evaluation reports on a timely basis.
- (b) Department obtain complete and accurate bilingual program evaluation reports from all school districts.
- (c) BEU consultants review and use the Statewide evaluation reports and the school districts' program evaluation reports when providing technical assistance and monitoring services to the districts.

Endorsing Bilingual Teachers

20. Section 380.1157(2) of the Compiled Laws requires an endorsement to the teaching certificate for teachers to be qualified as bilingual instructors. Endorsement means completing a specialized planned college program.

The number of endorsed bilingual teachers has increased since our prior audit but is still far short of the number needed. The bilingual education unit estimated that school districts needed 1,274 endorsed bilingual teachers for the 1980-81 school year, but only 197 were employed. The department issued 166 emergency permits to teachers who were taking additional college training to qualify for a bilingual endorsement. Therefore, based on the BEU estimates, 911 individuals providing bilingual instruction were not endorsed bilingual teachers or had not been issued an emergency permit. This severe shortage of endorsed bilingual teachers may reduce the quality of bilingual education programs throughout the State.

The bilingual education unit should take appropriate action to increase the supply of endorsed bilingual teachers. Such action may include providing more extensive publicity about bilingual education career opportunities to high school and college students, working closer with colleges and universities to establish new endorsement programs and to review present programs, and maintaining an active personnel resource bank of available qualified individuals and school districts' bilingual personnel needs. The continued oversupply of teachers may be a source from which future endorsed bilingual teachers can be obtained with minimal additional training.

This condition was noted in our prior audit report; the department stated that it concurred with the recommendation.

TO PROVIDE FOR QUALITY BILINGUAL INSTRUCTION THROUGHOUT THE STATE, WE AGAIN RECOMMEND THAT THE DEPARTMENT, IN CONJUNCTION WITH COLLEGES AND UNIVERSITIES IN THE STATE, TAKE SUCH ACTION AS IS NECESSARY TO SIGNIFICANTLY INCREASE THE NUMBER OF ENDORSED BILINGUAL TEACHERS.

Standards for Bilingual Programs

21. The bilingual education unit has not developed formal written standards for operating bilingual education programs. Standards for areas, such as bilingual curriculum, classroom management, staffing, scheduling, program evaluation practices, parent advisory committee guidelines, in-service training, and the training and use of bilingual aids, have not been developed or distributed to school districts.

Section 380.1157(1) of the Compiled Laws (the School Code of 1976) requires that "...The state board shall promulgate rules governing the conduct of and participation in the in-service training programs." The State Board of Education has not promulgated rules for in-service training.

Developing and using standards should assist in providing uniformity in programs and instruction, tend to increase the quality of programs, and provide a uniform basis for monitoring program results.

These conditions were noted in our prior audit report; the department stated that it concurred with the recommendation.

TO PROVIDE FOR EFFICIENT AND EFFECTIVE BILINGUAL EDUCATION PROGRAMS, WE AGAIN RECOMMEND THAT THE BILINGUAL EDUCATION UNIT DEVELOP STANDARDS FOR OPERATING BILINGUAL EDUCATION PROGRAMS. WE ALSO AGAIN RECOMMEND THAT THE STATE BOARD OF EDUCATION PROMULGATE RULES FOR BILINGUAL IN-SERVICE TRAINING PROGRAMS TO COMPLY WITH SECTION 380.1157(1) OF THE COMPILED LAWS.

Filing System

22. BEU established its central filing system in late 1982. The files are arranged by school district, by year, and include file folders for the programs administered by the unit. Prior to establishing this system, the bilingual education consultants kept all school district program information in their individual offices. Our review of the central filing system disclosed that it does not provide for efficient administration of the program. Specifically, we noted:

- a. Program documents were frequently found filed under the wrong school district or school year and/or in correspondence folders.
- b. Certain program documents are sometimes maintained in the consultants' offices or in another section of the department.
- c. Certain documents for some school districts had been sent to the State records center, while the same documents for other districts were still in the files.
- d. Out cards are not used when documents are removed from the files, and all unit employees have access to the files.

During the BEU audit, there were instances in which unit employees commented on the inadequacy of the central filing system.

Included in the central filing system are similar files for migrant education programs. Some MEU consultants indicated that the central filing system is not reliable.

To improve administrative efficiency, we recommend that the bilingual education unit maintain a complete and accurate central filing system of pertinent data for school district bilingual education programs.

At the exit review meeting, the department informed us that it has complied with this recommendation.

TITLE VII ESEA ADMINISTRATIVE FUNDS

The federal government provides Title VII Elementary and Secondary Education Act (ESEA) funding to local school districts to develop and/or supplement their bilingual education programs. Title VII funding is also provided to institutions of higher education for developing or expanding their degree granting bilingual education training programs. The school districts and institutions of higher education annually apply to the U.S. Department of Education for the funding. Funding awards to Michigan school districts and institutions of higher education for the last three fiscal years were:

Grant Year	School Districts			Institutions of Higher Education		
	Number	Amount	Average Per District	Number	Amount	Average Per Institution
1982-83	13	\$3,025,820	\$232,755	5	\$1,148,091	\$229,618
1981-82	10	\$2,437,560	\$243,756	4	*\$ 724,963	\$181,241
1980-81	12	\$3,160,287	\$263,357	5	\$ 962,202	\$192,440

*Estimated amount.

BEU, within the bilingual/migrant education program, receives administrative funds under Title VII to provide/coordinate technical assistance to those school districts applying and/or receiving Title VII funding awards. Administrative funds have ranged from \$110,000 to \$150,000 annually during the last four grant years.

Management and Operational Practices

Functions Concerning Title VII Funds

23. Our review of BEU's providing/coordinating of technical assistance and other functions concerning Title VII disclosed:

- a. The average Title VII award to school districts, as indicated by the preceding table, is more than \$232,000 annually. This is considerably more than the \$45,000 - \$52,500 average per school district received under Section 41 of the State School Aid Act for bilingual education programs. Approximately 60 to 70 school districts receive Section 41 funding each year.

BEU does not adequately promote the Title VII awards nor does it encourage school districts to apply for this funding. Other than sending each school district the funding application package and a cover letter, BEU does little to promote/encourage Title VII programs. This may be one reason only a small number of districts apply for Title VII funding (only 16 of the 66 districts receiving Section 41 funding in 1982-83 applied for 1982-83 grant year funding). Particularly because of the amount of the awards and the impact that they can have on a bilingual education program, BEU should increase its efforts to promote the Title VII awards and encourage school districts to apply for this needed funding.

- b. An important BEU function under Title VII is to provide school districts with technical assistance in preparing funding applications. The assistance is provided through on-site visits and through reviewing the completed application. We determined that BEU generally provides very limited on-site assistance to the districts. BEU provided on-site assistance to only 6 of 16 districts which submitted Title VII applications for the 1982-83 grant year. For the 1980-81 grant year, the department informed us that the primary reason 11 of an expected 23 districts did not submit a Title VII application for new grant awards was because of the considerable amount of work required of the districts to prepare the applications. Increasing BEU's on-site technical assistance in preparing Title VII funding applications should increase the number of districts applying, improve the quality of the applications, and may result in an increased number of awards to Michigan school districts.
- c. The department charges 2 and 3/4 positions to Title VII funding. Through our review of BEU activities and discussion with personnel, it appears that the department should charge less than 2 and 3/4 positions to Title VII funding. BEU cannot provide documentation to support these charges.

To provide for an increased number of Title VII awards to Michigan school district bilingual education programs and to maximize the benefits of Title VII administrative fund expenditures, we recommend that the department:

- (a) Actively promote Title VII awards and encourage school districts to apply for this funding.

- (b) Increase its on-site technical assistance to school districts concerning the preparation of Title VII funding applications.
- (c) Review and appropriately charge expenses to Title VII administrative funds and maintain documentation to support charges to these funds.

NATIONAL ORIGIN DESEGREGATION - TITLE IV

The department receives federal Title IV funds under the Civil Rights Act of 1964 to provide technical assistance to local school districts having problems related to discrimination on the basis of race, sex and/or national origin. The department's bilingual education unit, within the bilingual/migrant education program, is responsible for administering the national origin section which is to ensure that all national origin minority children of limited English-speaking ability receive an equal educational opportunity. Title IV funding for the national origin section is approximately \$200,000 per year.

Management and Operational Practices

Functions Concerning Title IV Funds

24. Our review of departmental activities in the area of national origin desegregation disclosed:

- a. The department annually applies for the Title IV national origin desegregation funds. We reviewed the applications for grant years 1981-82, 1982-83 and 1983-84. We found certain statistical and budgetary information in the applications to be misleading. Examples include:
 - (1) Materially overstating the number of school districts that can be expected to request national origin desegregation technical assistance. The applications indicate that the department annually expects up to 315 school district requests for technical assistance, but actually receives requests from and provides such assistance to approximately 30 districts per year.

- (2) Requesting annual funding for six to nine positions, which is a large percentage of the entire BEU. As indicated in item c, we question requesting Title IV funding for this number of positions.
- (3) Using outdated statistics to indicate the number of students in the State receiving bilingual instruction and the number of school districts providing bilingual instruction. The outdated statistics are significantly higher than the more current statistics.

Because federal funding is determined based on the various program information stated in each State's annual application, including misreading and outdated information in the applications may result in the department receiving an inequitable funding award(s) and possible liability to the federal government.

- b. The Code of Federal Regulations, section 180.12(a), requires that the department provide national origin desegregation technical assistance to only those school districts which request assistance. Section 180.21 of the code requires that the department maintain records of all requests for assistance and the type of assistance provided. The department does not maintain the required records to document its national origin desegregation activities.
- c. We were informed by the U.S. Department of Education that Title IV funds are for activities that directly relate to solving national origin minority desegregation problems. Title IV funds may not be used to supplant State funds for activities required under State statute.

The department charges 4½ positions to Title IV funding. Based on our review of BEU activities and discussion with personnel, the department may be charging too many positions to Title IV funding for national origin desegregation technical assistance provided to only those school districts requesting assistance. BEU cannot provide documentation to support these charges.

To allow the State to receive equitable Title IV funding for providing school districts with national origin desegregation technical assistance, in accordance with the Code of Federal Regulations, we recommend that the department:

- (a) Include the most current and accurate statistical and budgetary information in the Title IV applications.
- (b) Maintain required records of technical assistance requested and provided.
- (c) Contact the U.S. Department of Education to clarify which BEU activities are allowable charges to Title IV national origin desegregation funding and maintain documentation to support these charges.

TRANSITION PROGRAM FOR REFUGEE CHILDREN

The federal government awards grant funds to the Department of Education for the transition program for refugee children (TPRC) based on the department's application for funding. The department allocates and distributes subgrant awards to school districts which provide educational services to meet the special needs of the State's eligible refugee children.

The program is administered by the bilingual/migrant education program. Total grant awards for the last three fiscal years were:

<u>Fiscal Year</u>	<u>Amount</u>
1982-83	\$430,007
1981-82	\$294,730
1980-81	\$386,529

The department may use up to 1% of the grant amount for administrative costs with the balance allocated to the school districts.

Management and Operational Practices

Administration of the Refugee Program

25. Our review of the department's overall administration of the State's refugee program disclosed:

- a. The Code of Federal Regulations, section 538.21, states that the State agency, in order to receive grant funds for school districts, must submit an application indicating "...the number of eligible children enrolled in public and nonprofit private schools in each..." school district as of a certain date. The grant funds awarded are based on the number of eligible refugee children reported by the State. We were informed by the U.S. Department of Education that, to be eligible, refugee children must receive special educational services from the school district's refugee program.

We determined that the department included in its reported number of eligible refugee children for fiscal years 1981-82 and 1982-83 those refugee children for whom school districts indicated that they would not operate a refugee program. This resulted in the State agency being awarded approximately \$62,000 in grant funds for fiscal year 1982-83 for 46 school districts which indicated that a refugee program would not be operated. The department should report in its annual application only those refugee children who are eligible for federal funding.

- b. The federal grant award indicates the subgrant amount that each school district can receive to fund its refugee programs. The department incorrectly used a prior year subgrant award listing to notify school districts of their 1982-83 subgrants. This resulted in the following:

- (1) All school districts were notified of an incorrect subgrant amount.
- (2) Seventeen school districts that were not eligible for a subgrant were notified that they were awarded a subgrant.
- (3) Forty-four school districts were eligible for a subgrant but were not notified.

- (4) Three school districts expended, requested reimbursement and were paid by the department more than their correct 1982-83 subgrants.

The department discovered its error in April 1983 and notified the districts of their correct 1982-83 subgrants. However, the department continued to make reimbursement payments to the districts based on the incorrect subgrants through at least August 1983. This situation not only resulted in wasted personnel time to correct the errors, it also may have resulted in reduced or terminated refugee programs at certain school districts.

- c. The department used \$1,064 of its administrative funds to increase a 1981-82 subgrant to a school district which served more refugee students than provided for in its initial subgrant award. The department did not attempt to obtain increased federal funds. We question using administrative funds for this purpose.
- d. The department "lapsed" approximately \$30,400 of unspent refugee program grant funds awarded for fiscal years 1979-80 and 1980-81. We were informed by the U.S. Department of Education that unspent grants may be used for summer refugee children programs. The department should consider using unspent grant funds for summer programs.
- e. The Code of Federal Regulations, section 122a.12, issued January 24, 1980, stated that state administrative agencies may use administrative funds to monitor school district compliance with refugee program regulations. The Code of Federal Regulations, section 538.10(c)(1), issued January 14, 1981, states that state agencies may provide technical assistance to school districts' refugee programs. The department provides very limited, if any, technical assistance and/or monitoring services to the refugee programs. Because many districts receiving refugee program funds also operate a bilingual or migrant program, limited technical assistance and/or monitoring services could be provided by the bilingual or migrant consultants. These limited services should at least include a determination that special educational services

are provided, an analysis of these services, and a verification of the number of refugee students.

- f. The department's personnel responsible for administering the refugee program generally were not familiar with the federal regulations, the State's and school district's responsibilities, and the status reports listing subgrantee financial data. Also, pertinent program records were either difficult to locate or not available. Administrative personnel must be familiar with all program aspects in order to provide effective and efficient program management.

We recommend that the department review its overall administration of the transition program for refugee children and correct all deficiencies to comply with federal regulations, maximize the benefits of the federal funds available, and provide for effective and efficient subgrantee programs.

SCHOOL AGE PARENTS PROGRAM

Section 93 of the State School Aid Act provides funds to school districts for alternative education programs for school age parents. Funding for the last four fiscal years (all State funds) was as follows:

Fiscal Year	Funding For		
	Teacher Salaries	Pilot Projects	Total
1982-83	\$558,000	\$240,000	\$ 798,000
1981-82	\$558,000	\$240,000	\$ 798,000
1980-81	\$558,000	\$240,000	\$ 798,000
1979-80	\$900,000	\$240,000	\$1,140,000

During our audit period, the program was administered within the compensatory education program, school program services.

Management and Operational Practices

Program Administration

26. Approximately 60 school districts annually operate a school age parents program and receive teacher salary reimbursement funding under Section 93(1) of the State School Aid Act. Districts may receive up "...to 75% of the actual cost of the salary, not to exceed \$8,100.00 for an individual salary..." School districts must apply to the department for the funding. We reviewed the department's administration of the program for fiscal years 1981-82 and 1982-83 and determined:
- a. The department approves school district funding without determining that the district's program complies with Michigan Administrative Code R 340.1123(1). The code provides that school districts can receive funding for an accredited alternative school program if the school age parents program is approved by the State Department of Education as equivalent to the regular school program, and if it provides for health counseling, child care instruction and services, social services, and prenatal instruction within the resources of the district providing the program.
 - b. Michigan Administrative Code R 340.1123(1)(a) requires that school age parents program teachers (for which funding is received) hold a valid Michigan teaching certificate. The department has not established adequate procedures to ensure that school districts comply with this requirement. Michigan Administrative Code R 340.1124 provides that school districts may receive teacher funding at a ratio of one teacher for each twenty students. The department also has not established procedures to determine that school districts receive funding in accordance with this requirement.
 - c. To receive school age parents program funding for teachers, the department requires that school districts complete and send to the department four different forms. Appropriately consolidating the needed information to reduce the number of program forms would provide for improved administrative efficiency at both the department and school district level.

- d. The department does not determine funding allocations and subsequently notify school districts of their funding allocation on a timely basis. Pertinent program budget data is not due from the districts until November 20, and some districts submit their data after the due date. Districts were not notified of their program funding for the 1981-82 school year until late February 1982, and the 1982-83 school year until late March 1983. Until funding allocations are determined, districts are funded based on their prior year payments or not funded at all if it is a first year program. The department should notify school districts of their funding allocations at the earliest possible date to allow districts adequate time for planning and implementing their programs.
- e. The department does not provide technical assistance nor monitoring services to the school districts' school age parents programs. The department's Compliance and Complaint Procedures Handbook states, "...The Department of Education, as part of its administrative responsibilities, is expected to monitor educational programs..." Providing technical assistance and monitoring services to school districts should improve the operation of their school age parents programs.

To comply with the Michigan Administrative Code and the department's Compliance and Complaint Procedures Handbook and to provide for efficient and effective school age parents programs at school districts throughout the State, we recommend that the department:

- (a) Determine that the school districts' school age parents programs are equivalent to the districts' regular school programs and provide required program components within the districts' resources.
- (b) Establish adequate procedures to ensure that program teachers are certified and that funding of teachers' salaries is in accordance with the established teacher/student ratio.
- (c) Consolidate the needed program information to reduce the number of required forms and notify school districts on a timely basis of their program funding for the school year. This should include requiring that school districts report their program data to the department in October.

- (d) Provide technical assistance and monitoring services to school districts' school age parents programs.

Pilot Projects Selection Process

27. The Interagency Committee for Services to High Risk Children and Their Families in 1979 developed the school age parents program model and the recommendations for implementing the model. Section 93(2) of the State School Aid Act has provided annual funding for the pilot projects. The Department of Education makes pilot project awards to school districts to assist in their program development based on the concepts stated in the model. Total awards and pilot projects were:

<u>Fiscal Year</u>	<u>Number of Pilot Projects</u>	<u>Total Funding</u>
1982-83	8	\$240,000
1981-82	8	240,000
1980-81	3	240,000
1979-80	3	<u>240,000</u>
		<u>\$960,000</u>

The funding awards during the four-year period ranged from \$10,000 to \$100,000. We reviewed the department's selection process for the school age parents program pilot projects and determined:

- a. The department used four different selection processes during fiscal years 1979-80 through 1982-83 to award school districts' pilot project funding. Changing the selection process each year not only results in an inconsistency from year to year and increases administrative effort, but may result in an inequitable allocation of funds.
- b. A competitive evaluation and review process was used to select the 1979-80 and 1980-81 projects and three of the 1981-82 projects. The department could not provide documentation to support the 1979-80 and 1981-82 competitive selections. Our review of the 1980-81 competitive process disclosed that the department had not established criteria for the application readers to use in

their evaluations. This may have resulted in the wide range of scores. The evaluation process rated applicants in fourteen program components with all components being of equal value. We question whether all of the program components were of equal value. Weighting the program components should result in a more equitable evaluation process.

- c. The department did not use a competitive evaluation process to select five of the 1981-82 pilot projects nor any of the 1982-83 projects. The department decided that the pilot projects needed more than one year to develop their model programs. Therefore, the department reawarded funding in 1981-82 to the pilot projects funded in 1979-80 and 1980-81. The department also reawarded funding in 1982-83 to the same eight pilot projects. We were informed that, as of August 1983, the department intends to reaward 1983-84 funding to the same pilot projects. The department has not determined that these pilot projects warrant reawards each year. We do not believe that the intent of the pilot project funding is to provide continued awards to the same few school districts each year without proper justification.

To provide for equitable and uniform allocation of funds, we recommend that the department establish and implement a documented competitive evaluation and review process for selecting or continuing school age parents program pilot project awards.

Pilot Project Administration

28. Our review of the department's other administrative functions relating to the school age parents program pilot projects disclosed:
 - a. The department has expended \$960,000 for pilot projects during the four fiscal years 1979-80 through 1982-83. However, the department has not reviewed nor analyzed the results of these school districts' programs in conjunction with the school age parents program model. The results should be used to make any necessary changes to the model. More importantly, the department should disseminate pertinent information to the other school age parents programs (not receiving pilot project funding) to provide them with any benefits derived from the pilot projects.

- b. The department does not provide technical assistance nor monitoring services to the pilot projects. Such services would provide assurance that the school districts properly expend the pilot project funds and that the programs are operating as intended.

Records available at the department indicate that one school district, which received a \$98,000 award, expended only \$28,000 on its school age parents program during the award school year. Comparing another school district's program records for two years indicated that the district apparently operated a nearly identical program each year; the district received pilot project funding in only the second year. Providing technical assistance/monitoring services should have disclosed these conditions.

- c. Approximately 60 school districts annually receive Section 93(1) teacher salary reimbursement funding, with the average district receiving approximately \$9,300 per year. The eight districts receiving Section 93(2) pilot project funding received an average of \$30,000 for the 1981-82 and 1982-83 school years. These eight districts also received Section 93(1) funding. The department has not reviewed benefits derived from the pilot projects to determine that the current allocation requirement of total school age parents program funding is in the best interest of all school age parents programs throughout the State, rather than the few districts receiving the larger amounts of funding. The department should make this determination and, if appropriate, take action to change the allocation requirement. This may include initiating amendatory legislation to Section 93 of the State School Aid Act.

To provide the most efficient and effective educational programs for school age parents throughout the State, we recommend that the department:

- (a) Periodically analyze the results of pilot projects, disseminate pertinent information to all other school age parents programs and, if necessary, revise the program model.
- (b) Provide appropriate technical assistance and monitoring services to school districts receiving pilot project awards.

- (c) Review the benefits derived from pilot projects to determine that the legislative appropriation of Section 93 State School Aid Act funding between teacher salary reimbursement and pilot projects results in the best interest of the overall State program. If appropriate, the department should take appropriate action to amend the allocation requirement.

Program Responsibility

29. The Department of Education administers the school age parents program. The Interagency Committee for Services to High Risk Children and Their Families is a committee consisting of employees from several State departments. The committee has performed a number of administrative functions concerning the school age parents program. This included developing, in April 1979, the model which outlines program services expected of public education. The department and the committee have not each formally defined their roles and responsibilities concerning the administration of the program.

Five different people in three service areas have been responsible for the department's administration of the school age parents program. Limiting the transfer of program responsibility should result in more efficient and effective program administration.

The department has established only limited policies, regulations, etc., concerning the school age parents program. Prioritized goals and objectives have not been established for the program. These administrative aids should improve the department's overall administration of the program.

To provide for effective and efficient administration of the school age parents program, we recommend that the department define its program roles and responsibilities, limit the transfer of program responsibility, and establish policies, procedures, goals, and objectives.

Federal Funding for Projects

30. The federal government provides funding for selected projects concerning the education of school age parents. The department provided us with information

indicating that federal funding for fiscal year 1982-83 totaled \$10,000,000. The department has not applied for nor worked with other governmental units to obtain federal funding for applicable projects that could be administered by the department, school districts, universities, etc. We determined that four governmental units in Michigan received such funding in fiscal year 1982-83. The funding awards were made directly to the governmental units. The department was not aware of these awards. The department's effort in applying for and subsequent receipt of such federal funding should result in a positive and beneficial contribution to the State's overall school age parents program.

We recommend that the department apply for and/or work with other State governmental units to obtain federal funding for projects educating school age parents.

GIFTED AND TALENTED PROGRAM

Section 47 of the State School Aid Act provides funds to intermediate school districts which provide support services for the education of gifted and academically talented pupils. The act also provided funding for selected gifted and talented pilot programs through fiscal year 1980-81. Funding for the previous four fiscal years was:

<u>Fiscal Year</u>	<u>Funding For</u>		
	<u>Support Services</u>	<u>Pilot Programs</u>	<u>Total</u>
1982-83	\$525,000	\$ -0-	\$525,000
1981-82	\$525,000	\$ -0-	\$525,000
1980-81	\$392,500	\$132,500	\$525,000
1979-80	\$517,500	\$232,500	\$750,000

Further, the department received federal gifted and talented funds totaling approximately \$248,000 during fiscal years 1979-80 through 1981-82 which it awarded as competitive grants to school districts. The gifted and talented program is administered within the instructional specialists program, school program services.

Management and Operational Practices

Program Administration

31. Approximately two thirds of the State's intermediate school districts (ISD) annually receive Section 47 funding for support services provided to local school districts' gifted and talented programs. The ISD's apply to the department for the funding. We reviewed the department's administration of this phase of the gifted and talented program and determined:
- a. Section 47 of the State School Aid Act states that ISD's may receive 75% of a coordinator's/consultant's salary, but not to exceed \$15,000 reimbursement for an individual salary, and up to \$2,500 reimbursement for materials and supplies. Our review of the allocation process for fiscal years 1981-82 and 1982-83 disclosed that two ISD's received in excess of the \$15,000 limit, and two ISD's received additional materials allocation funds for certain noneligible services. Also, the department did not provide materials allocation funds in fiscal year 1982-83 to nine ISD's that had requested the funds but did not have a program consultant. This is not only inconsistent from prior year allocation practices, but may not be within the intent of the statute as previously stated.
 - b. The department requires that ISD coordinators/consultants have certain professional qualifications and those not meeting the qualifications must participate in training activities. The department has not established procedures to verify that the coordinators/consultants have the required qualifications nor that the coordinators/consultants without the qualifications participate in the training activities.
 - c. The gifted and talented program has been in existence since fiscal year 1973-74. However, the department has not developed program standards. Developing and using such standards would provide program uniformity, may increase the quality of programs, and provide a uniform basis for monitoring program results.
 - d. The department does not provide monitoring services to ISD's or local school districts in the gifted and talented program areas. The department's

Compliance and Complaint Procedures Handbook states that the Department of Education, as part of its administrative responsibilities, is expected to monitor educational programs. Providing monitoring services to ISD's and local school districts could improve the operation of gifted and talented programs.

- e. The department's State Plan for the Education of Gifted and Talented Children was issued in early 1976. The plan was established with a five-year time limit and included, among other things, the department's goals and objectives for the gifted and talented program. A review and appropriate revision of the State plan should be beneficial to the overall gifted and talented program.

To provide for effective and efficient gifted and talented programs throughout the State and to comply with Section 47 of the State School Aid Act and the department's Compliance and Complaint Procedures Handbook, we recommend that the department:

- (a) Allocate support services funding to intermediate school districts in accordance with the statute.
- (b) Establish procedures to ensure that ISD coordinators/consultants are professionally qualified or participate in required training activities.
- (c) Develop and distribute program standards.
- (d) Provide monitoring services to intermediate and local school districts.
- (e) Review and appropriately revise the State Plan for the Education of Gifted and Talented Children.

Using Pilot/Grant Projects' Results

- 32. The department awarded approximately \$1,900,000 (87% State funds and 13% federal funds) to school districts during fiscal years 1973-74 through 1981-82 for competitively selected pilot and/or grant projects for gifted and talented programs. The results of these numerous projects are on file at the department.

However, the department has not analyzed the results nor developed them into useful program information which could be disseminated to all appropriate school districts for implementation into their gifted and talented programs. Providing all gifted and talented programs with this information should increase the benefits of the pilot and grant project funding.

We recommend that the department analyze the results of the pilot/grant gifted and talented projects, develop the results into useful program information, and disseminate this information to appropriate school districts.

ALTERNATIVE JUVENILE REHABILITATION PROGRAM

Section 48 of the State School Aid Act provides local school districts with funding for alternative juvenile rehabilitation programs which allow juvenile courts alternatives to incarcerating youths. The local school districts provide remedial academic and/or social rehabilitative services and receive reimbursement up to \$7,500 for the salary of each professional program person. Approximately 90 school districts annually provide such programs with funds totaling \$1,260,000 for each of the last three fiscal years. The program is administered by the compensatory education program.

Management and Operational Practices

Alternative Juvenile Rehabilitation Program Administration

33. We reviewed the department's administration of the program and determined:

- a. The alternative juvenile rehabilitation program has been in existence since fiscal year 1973-74. However, the department has not developed program standards for the school districts. Developing and using such standards would provide program uniformity, tend to increase the quality of programs, and provide a uniform basis for monitoring program results.
- b. Guideline #7 of the department's Guidelines for Administration of Section 48 of the State School Aid Act requires that, ". . .Plans for. . .the overall program shall be approved by the State Department of Education on an annual basis. . .". Several employees in the compensatory education program review and approve

the funding plans (applications). The department has not developed guidelines for reviewing applications and, therefore, the consultants have no basis for analyzing and approving the applications. We were informed that the consultants approve all programs.

- c. Guideline #4 of the department's administrative guidelines states that salary reimbursement funding will be paid only for professionals licensed by the State of Michigan. The department does not verify that program professionals at the school districts are licensed. We attempted to verify the licensure of 198 individuals (from 29 school districts) for fiscal year 1982-83. We determined that 5 of 16 social workers were not currently licensed. The teacher certification unit could not provide us with verification that 11 of 133 teachers were certified. Also, 24 of 46 counselors did not have a counseling endorsement.
- d. The department does not compute alternative juvenile rehabilitation program funding allocations nor notify individual school districts of their funding allocation on a timely basis. Districts were not notified of their program funding for the 1981-82 and 1982-83 school years until late January 1982 and April 1983, respectively. Until funding allocations are determined, school districts are funded based on their prior year payments or not funded at all if it is a first year program. The department should notify school districts of the funding allocation at the earliest date possible to allow districts adequate time for planning and implementing their programs.
- e. The department does not routinely provide technical assistance nor monitoring services to school district alternative juvenile rehabilitation programs. The department's Compliance and Complaint Procedures Handbook states that the Department of Education, as part of its administrative responsibilities, is expected to monitor educational programs. Providing technical assistance and monitoring services to school districts should improve the operation of their alternative juvenile rehabilitation programs.

To provide for efficient and effective alternative juvenile rehabilitation programs and to comply with the department's Guidelines for Administration of Section 48 of

the State School Aid Act and the department's Compliance and Complaint Procedures Handbook, we recommend that the department:

- (a) Develop program standards for school districts and application review guidelines for departmental use.
- (b) Establish procedures to ensure that program professionals are licensed by the State.
- (c) Notify school districts on a timely basis of their program funding for the school year. This should include requiring that school districts report their program data to the department in October.
- (d) Provide routine technical assistance and monitoring services to school district alternative juvenile rehabilitation programs.

OTHER FUNCTIONS

We included in this audit the results of our review of certain financial areas and housekeeping duties for school program services. The following comments cover conditions found in the bilingual/migrant education program, compensatory education program, and the instructional specialists program.

Management and Operational Practices

Attending Conferences, Seminars, Etc.

34. School program services consultants and specialists attend numerous conferences, seminars, etc., each year. These functions, which are frequently out-of-State, cover such topics as professional development, changes in federal regulations, new program techniques, and practices of other states' programs. The cost of attending out-of-State conferences, seminars, etc., for the period January 1, 1981 through June 30, 1983 was \$80,852. Attending these out-of-State functions usually costs between \$500 to \$1,000 per consultant. These costs do not include wages or fringe benefits.

The department has not developed a written procedure or mechanism for consultants and specialists to adequately communicate the information and knowledge obtained through attending these functions to their colleagues and, subsequently, to the school district programs. We were informed that the consultants and specialists usually review the information orally at staff meetings. A written procedure or mechanism for adequately communicating this information to colleagues and school districts should increase the benefits obtained from attending conferences, seminars, etc.

The department does not require employees who attend the conferences, seminars, etc., to analyze whether the information or knowledge obtained was worth the overall cost to attend. This could be used by administrators to determine future attendance at similar functions.

To obtain the maximum benefit from attending conferences, seminars, etc., we recommend that the department establish written procedures to ensure that information or knowledge obtained at these functions is properly communicated to department employees and school districts when appropriate. We also recommend that the department review the benefits derived, in conjunction with cost, from attending conferences, seminars, etc.

Travel

35. School program services consultants and specialists travel considerably in performing their jobs. The department has not established a policy defining when an employee should stay overnight rather than commute to a work assignment. Such a policy should state that overnight travel is required when the work assignment is beyond a specific distance from the employee's home or work station and work is to continue in the same general area.

Our review of employee travel vouchers for calendar year 1982 disclosed numerous instances in which employees traveled more than 150 miles daily to and from their work assignments. We noted very limited overnight travel and a number of cases when travel was to the same general area on consecutive days. Frequent traveling of excessive miles may result in an inefficient use of employee time, increase travel costs, and can result in less productive work hours because of fatigue.

Consultants and specialists should schedule travel, whenever possible, that will result in the most efficient use of time and travel funds.

We recommend that the department establish a policy specifying a reasonable distance for which employees either commute daily to work or stay overnight. We also recommend that school program services employees schedule their travel functions in a manner which will optimize their time in relation to travel costs.

Accounting, Internal Control and Financial Reporting

Timekeeping and Payroll Procedures

36. Our review of school program services' timekeeping and payroll procedures disclosed:

- a. All five of the service area's timekeepers maintain their own time and sign their own time and attendance reports. The five timekeepers also distribute payroll warrants and W-2 forms. These practices result in internal control weaknesses in the timekeeping and payroll function.
- b. Section 12.6.6 of the payroll-personnel system procedures manual requires daily posting of hours to the time and attendance reports. Our review disclosed that all five of the service area's timekeeping units did not post hours on a daily basis.
- c. The Department of Civil Service permits absences from work without using leave credits providing that the appointing authority certifies that the employee has completed the equivalent of a full pay period. The Department of Education Employee Handbook calls this type of absence executive leave and states: "Executive leave is under the control of each Service Area Director and is to be granted in conformance with the policy of the specific service area."

School program services' educational consultants and specialists frequently use executive leave. We determined that there were 216 cases (31 employees) of reported executive leave usage totaling 612 hours during calendar year 1982.

The service area has not established formal policies relating to and controlling executive leave usage. Further, the time and attendance reports used to generate the consultants and specialists' payroll warrants do not indicate actual hours worked in those cases when executive leave is used. Therefore, the department is not providing adequate control of these hours reported for payroll.

To provide proper internal control over timekeeping transactions and to comply with the payroll-personnel system procedures manual, we recommend that:

- (a) Timekeepers' supervisors maintain and sign the timekeepers' time and attendance reports.
- (b) Timekeepers post hours worked on a daily basis and employees independent of the timekeeping function distribute warrants and W-2 forms.
- (c) School support services establish formal policies relating to and controlling executive leave usage.

At the exit review meeting, the department informed us that it has complied with item (a) of this recommendation.

Financial and Administrative Practices

Using Grant and Administrative Funds

37. During fiscal years 1979-80, 1980-81 and 1981-82, school program services received federal grant awards totaling \$372,425,000 for distribution to school districts and \$8,756,000 for departmental administration. For fiscal years 1979-80 and 1980-81, \$2,040,000 of school district grant funds and \$411,000 of administrative funds were not expended. As a result, these funds "lapsed" to the federal government. Additionally, \$1,493,000 of school district grant funds and \$875,000 of administrative funds from 1981-82 awards were unspent as of April 30, 1983. The department has until September 30, 1983 to obligate these funds; otherwise, they will also lapse.

The lapse of these funds was primarily the result of the department's inadequate monitoring of school district grant fund expenditures, inadequate reallocation to school districts of unspent grant funds, and not filling vacant program positions. The department should establish procedures to ensure that federal grant awards are properly allocated and reallocated to school districts when the need exists, and available for their program use prior to lapsing.

We also question the practice of not filling program positions for which federal funds were available. The positions could have been used to improve certain areas of administration of the various programs involved. Recommendations throughout this audit disclose a number of areas, including program monitoring, in which the administration of the various programs should be improved. The administrative improvements may necessitate spending additional federal administrative funds. The department should appropriately use available funds to provide the most effective and efficient program administration possible.

We recommend that the department establish procedures to ensure the proper allocation and use of school program services federal grant award funds to obtain the maximum benefit from these funds. We also recommend that the department review its use of federal administrative funds and, where necessary, improve program administration through use of these funds.

Administrative Payroll Cost Allocations

38. School program services (SPS) administrative operations are funded from several federal sources and from State funds. SPS does not maintain documentation to support the allocation of administrative payroll costs among the various federal and State programs as required by federal regulations. Also, the department does not allocate the payroll costs based on actual time expended on each federal and State program as required by federal regulations. The department allocates the payroll costs to the various programs based on anticipated time expended (or the amount budgeted).

A recently released federal audit report of ECIA - Title I administrative costs for the period October 1, 1977 through September 30, 1980 took exception to SPS's lack of documentation to support the payroll cost allocations. Because the

required documentation was not available, the federal auditors reallocated the payroll costs, thus reducing reimbursable federal administrative funds by \$584,819. This is a potential liability to the State of Michigan. The department was appealing this federal audit finding at the time of our audit.

We recommend that SPS maintain adequate documentation to support allocating its administrative payroll costs based on actual employee time expended on the various programs.